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SUPPLEMENT TO REPORT NO.

1. In the half of a century covered in the study, there is a consistent trend of narrowing the gap between the remuneration of the higher class and that of the lower class among salaried workers. This narrowing of the remuneration gap comes about almost entirely through the reduction of the real income of the upper levels, while that of the lower bracket has stayed consistently at minimum subsistence throughout the period. Each of the social, political and military crises in this period has resulted in the reduction of real income of the upper salaried class, forcing its elements to accept a lower standard of living and to recognize as an inevitable trend the gradual, comparative equalization of incomes among salaried workers, making the return to the old scale impossible. The most drastic change occurred during and immediately after the Japanese invasion, and the Communist revolution has brought the 50-year trend to a climax.
2. The salary regulations of the Ch'ing dynasty show that, in the year 1900, the difference of pay for a provincial governor and that of a common servant in a yamen was 2,000 times. In the same year, the pay for the head of a government school was 500 times that for a school servant. The pay is measured in terms of rice, so as to represent real income comparable for different periods in the study. Here the high salaries represents the old order in which a successful scholastic and political career meant both position and wealth. The remunerations here include only salaries as mentioned in government regulations and exclude the unknown factor of the old-time squeeze. If the latter is included, the difference between the lower and the higher brackets could be much greater than the above figures, which were fantastic in any modern democratic economic structure. But, after the old civil service examination system was abolished and the Ch'ing dynasty overthrown by the revolution, the high income brackets began to tumble down steadily, never to regain an upward trend. Beginning then, the difference of real income between the averages for college professors and that for school menial workers was reduced to 30 times in 1920, 14 times in 1930, and 6 times by 1950, (before the Communists assumed power in Canton.). A 40-year payroll record of a private high school shows the difference of real income in terms of rice between the average for the teachers and that for the menial workers in the school as: 1910, 28.9 times; 1920, 21 times; 1930, 7 times, and 1950, 3 times.

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3. A year by year examination of the records shows that, each time there has been a major social or political disturbance, such as a change of government or a radical social upheaval like that during the mid-1920's, or the currency disturbance during and after the War under the Kuomintang regime, the real income of the upper levels suffered an irretrievable reduction, while that of the menial workers and the lower clerical personnel remained pretty much at the subsistence floor. The labor movement in the 1920's scored some gains for the workers, but they were comparatively small and temporary, for the gains in terms of currency were soon wiped out by the continuously rising cost of living and the drastic suppression against labor unions by the Nationalist Government after CHIANG Kai-shek assumed power in Nanking.
4. For ten years since 1939 or 1940, the real income of the upper level of the wage earners, especially government and educational employees, took a continuous dip, with only brief pauses between. The proverbial story of a Kunning professor pulling a ricksha after classes tells vividly of this class during the wartime days. The fast skidding of the Nationalist Government postwar currency plunged their real income lower than ever, preparing them to accept the Communist regime as something that could not be worse than their existing state. Recalling that the savings from five or six years of steady college teaching would build oneself a comfortable modern house back in the 1920's and 30's, a professor in the postwar days was liable to accept some of the slogans put up by the Communists, since no relief was in sight from any other quarter. Meanwhile, the general cry among the intellectuals to "live close to the standards of the common people" prepared him mentally to accept the continuously narrowing gap between his economic status and that of the menial workers.
6. In the same period, sharing the same fate were government employees of the middle and lower ranks, technicians such as engineers, and the majority of doctors and lawyers and other free professionals who failed to achieve prominence in their professions. If salary earners, including educational workers, constitute a functionally strategic part of China's middle class, then the steady undermining of their economic status over the past decades was an important point of departure of the pre-liberations China from the old traditional order. This is especially significant because of the Communists dependence upon these people for their educated background and technical skill to run the country under the new regime. Their steadily worsening economic status makes it possible for the new regime to reeducate them and gain their loyalty, if given time, for the new Communist state.
6. If the income of the lower class stood still and that of the middle class salary earners was steadily reduced, where did the wealth of the country go to? All fingers, including those of the Communists, point to the inseparable pair: the top government executives and the big-time business men. There is plenty of reference literature with varying degrees of reliability, and the terrific distance between the rich and the poor in the postwar Chinese cities seem to substantiate a good part of the story.
7. After the assumption of power by the Communists, the educational workers and technicians are treated with special favor, and the currency is stabilized. Consequently, their economic conditions see some improvement over that under the Nationalists. A university president, for instance, is paid 1,800 catties of millet in Peking, the same as a departmental minister in the central government, and equivalent to US \$300 of purchasing power in Hong Kong today. Professors are paid 900 to 1,300 catties, equivalent to high ranking government executives. In rice areas, the pay is worked out according to the price of rice against the price of millet. Though far away from pre-war standards, college teachers enjoy a minimum of physical comfort which is an improvement over the almost literal starvation in the postwar days. As to the gap between the teachers and the menial workers, it remains much the same as in the pre-Communist days, and probably will continue to be so for some time to come. The salary regulations of the Ministry of Education fixes a 6-grade pay scale, covering school menial workers to teachers in colleges, and the

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difference between a full professor and a janitor, for example, is six times. Here, the menial workers received some raise in pay, about 20% in terms of real income; but their biggest gain under the Communist power seems to be the beginning of welfare benefits such as compensation for their children's education, medical care, injury and disability benefits, and the like. The expenditure for the workers' raised pay and welfare benefits comes partly from pulling down the full professors' salary to approximate that of the assistant professors. Generally there is the tendency of reduction in the salary differentials between the ranks among the teaching staff, and this reduction comes by some reduction of the salaries of the full professors and some raise of that of the assistants and instructors. Regionally speaking, while the north pays teachers in millet and the south in rice, the real income (or the purchasing power of rice in the south) of southern teachers is about one-third lower than that of the northern teachers. So, while teachers are fairly satisfied in Peking, those in Canton still live close to the subsistence level and consequently grumble a great deal.

8. Ranking among the favored group along with the college teachers are the technical experts and medical personnel. In fact a doctor working in a medical institution receives about 30-50% more pay than the average of a full professor. Valuable doctors, such as surgeons, sometimes get twice as much as full professors. The chief surgeon of the Central Hospital in Canton, for example, gets 2,000 catties of rice per month while the average full professor gets about 1,000 catties. Technical experts receive about the same salary as the average for full professors. Some twenty engineers employed in factories in the Canton area report a salary range between 1,000 and 1,300 catties of rice. However, those doctors engaged in private practice earn a very wide range of income, depending upon their personal success in their respective fields. This is especially so with doctors in areas where the general economy has gained some degree of recovery. For example, private doctors in Peking are generally doing well. It is not rare that a successful practitioner makes as much as 5 to 6 thousand catties of millet a month in Peking, or 5 or 6 times what a professor would earn. For a while, it was difficult for hospitals to hire doctors because of the comparatively low pay; whereupon the government suspended the issuance of new licenses for private practice, and it was not until some time last fall that this restriction against private practice was relaxed, but private doctors are urged to give several hours a day to render free service to patients too poor to pay a fee. It was reported that during the first year after liberation, Peking and Tientsin doctors had a very hard time, but after that, business picked up. Canton doctors and hospitals had a similar experience. Unlike under the previous regime, private doctors and private hospitals have to pay a fairly heavy business tax.
9. Generally speaking, government personnel are paid in two different systems; namely, the so-called supply system and the salary system. Party members working in the government mostly take the former, and non-party personnel take the latter. In the supply system, the government supplies monthly, the food, clothing, room, varying amount of medical care according to rank, children's education, and a very limited sum of cash. Ranks are graded according to the food quality, which falls into the familiar classes of big stove, medium stove, small stove, and the special stove. The big stove is a mass cooking affair, mostly vegetarian food, with a small quantity of meat once or twice a week. It is a very unpalatable coarse food that would take a middle class youngster a long time to get used to, and many of them come off with stomach trouble of some kind. The medium stove food has slightly more meat, though far from enough. It represents the very minimum quality of the lower middle class food. The small stove food is cooked in small quantities for quality, and it is a nourishing food with a good mixture of meat and vegetables every meal. While the quality of medium stove food varies from good to bad according to the organization and location, the small stove food is consistently good everywhere. In terms of price, the big food costs 75 catties of millet per month in the north and its market price equivalent in rice in the south, the medium stove is 120 catties of millet and the small stove, 180 catties. The special stove food is a fine meal

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with no limit on its quality and cost in the regulations.

10. The millions of soldiers and the vast number of lower ranking personnel in the government eat big stove food, and cases of malnutrition and sickness from it are numerous. It was said that 70% of the party cadres who have served long in this category suffer some kind chronic illnesses, frequently TB. The middle ranking military officers and government personnel of the party eat medium stove. Only the executive heads and the high cadre group eat small stove. The special stove is generally reserved for special occasions such as entertaining guests and high ranking personnel stricken with sickness.
11. The salary system covers a wide range of payment, from 300 to 1,800 catties of millet or the price equivalence in rice. Generally speaking, the middle rank employees in the government receive from 400 to 800 catties. It is impossible to maintain a family of four or five with this salary, now that opportunities of squeeze as a subsidy are for the most part gone. In terms of purchasing power, this range is about HK\$250-500 in Hong Kong. This salary takes care of food and a very minimum of clothing. Medical care, which is an urgent need in an unsanitary community, is difficult, and children's education, which every Chinese family values so much, frequently has to be given up. Asked how are these government employees expected to serve efficiently and loyally with this treatment, a party leader answered that they are expected to draw on their past savings. But the unknown factor is, through these years of war and destruction, how many have accumulated any savings at all.
12. Before the Communists' assumption of national power, all Communist political and military personnel were maintained with the supply system. It was out of consideration of the some 9,000,000 government employees taken over from the Nationalists throughout the country that the salary system was instituted. So far as is known, very few if any Communist Party members serve on the salary system. There is a regional difference in the advantage or disadvantage of these two systems. In the Northeastern provinces where the winter is severe and the fuel cost is heavy, the salary is very inadequate. One factory manager was paid the equivalent of 900 catties of millet, a comparatively attractive salary in China proper, but he had to pay over one-third of his pay to buy coal for heating, and the remainder of his salary was barely enough to buy cornmeal bread for the family and to send three of the five children to school. On the other hand, those serving under the supply system are given coal and other necessities, making life a lot more comfortable. But in the south where there is little fuel cost for the winter, especially in places like Canton, the salary system is held more preferable, and there is a general yearning among the party workers to be switched to the salary system.
13. In all categories in the supply system, every member in the family, including the wife, is expected to work, in order to receive rations. If there is the burden of small children at home to tie the wife down, and the wife is a useful worker, then for every two children, the government supplies one nurse, the new name for female servant. If the expense for the nurses outweighs the usefulness of the wife's service, then the wife is an unproductive member of the group, and only big stove is supplied to her by the government, whatever stove category her husband belongs in. Consequently, it is not a rare scene in a common dining hall where the husband, a productive member, eats fish and meat in the small stove table while next to him is the wife eating at the big stove table, being served with a coarse vegetarian dinner. Such scenes horrify many unaccustomed eyes that are used to the unity and equality within the family, and deter many from joining the government, for fear of being pushed into the supply system. Even with the assignment of nurses, the family situation is by no means peaceful. The wife, a college graduate, of a high party leader one day threatened to board the two very young children out to a "complete nursery", one that keeps the children day and night. Said she, "The nurses are too young and no good at taking care of the children. I can't go to work in the day and take care of the children at night. Either let me stay home entirely, or get rid of the children by letting the government take

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care of them entirely." The difficulty of family life and having children is vividly told here.

14. There is a third system of paying for one's service, called the contract system. There is only one rate of pay here, 130 catties of millet a month. Out of this 130 catties, 75 catties are taken out as board on the big stove basis, and the 55 catties are given to the recipient in cash for miscellaneous expenses. In addition, he is given two suits of clothes a year, one for summer one for winter, one pair of rubber-sole shoes, a towel and his room. He will have to provide the rest of his personal needs himself. If he gets sick the government will give him medical care up to a certain limit, depending on the individual case. Personnel of this category receive support from the government on an individual basis, and the government assumes no responsibility for their families.
15. Because of different locations of work for husband and wife, the separation of families is very common, one thing that makes some of the younger workers very depressed. Practically all the students graduated from college last summer who were taken in by the government were separated from their husbands, wives or families; and were ill paid. One may remark that, a pedicab peddler in Peking earns from 400 to 600 catties of millet a month, higher than a college graduate. A women house servant earns in Peking about 250 catties a month with no board, comparable to what a college graduate receives. The strong pressure of "thought education" urging everyone to work on a self-sacrifice basis, like the party members, succeeds in convincing 10 or 20 per cent of the students to take this treatment and like it. But the rest are quite unregenerated, and take the government jobs because nothing else is in sight. They do not know how long they will have to remain in this category before being promoted to higher levels of remuneration. Last summer and fall, some 7,000 to 8,000 college graduates took jobs assigned by the government, most out of desperation.
16. Attempting to explain away this meager treatment of graduates who used to look forward to a rosy future after college, one party leader said, "This will give these younger elements of the bourgeois class a thorough test, and we'll rapidly promote the ones who can show an ability to work and a willingness to take hardship and make sacrifices. The common people are not earning very much in China these days, and students leaving school should not live above the people's standard. Moreover, if we raise their pay far above what the workers earn, there will be inflation, and it will not be easy for us to keep the party members contented, as many of the latter were students. Anyway, if the government has money to spare, it ought to go into many urgently needed projects of production and reconstruction. A little hardship won't hurt the young students, and there cannot be any substantial improvement until the entire body of government workers can get a general raise in pay."
17. The unemployment problem aside, the assumption of power by the Communists brought little improvement on the real income of the working class in general. Workers in stores and shops and factories in most places earn about the same real income as before. In a few cities, such as Shanghai where workers were out of hand for a while immediately after liberation, wages were boosted high, but a year later, this gain was largely absorbed by slow inflation of the currency before the general stabilization last summer, by closing down of businesses and by the "voluntary" reduction of wages. For workers in firms and organizations employing 100 people and over, there is a beginning of general workers' welfare by the recent enactment of the "labor insurance" law, which requires employers to set aside funds for sickness, child birth, disability and injury, nursery for workers' children and other familiar items of benefits. It is likely that this law will be effectively enforced. Aside from this gain, the general urban wage range remains at the pre-Communist level of 200-600 catties of millet, or the equivalence in purchasing power of HK\$120-360 in Hong Kong today, or about the general wage range in Hong Kong at the present. If the salary range of college teachers from assistants to full professors is now 500-1,300 catties of millet, the average gap between the brain workers

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and the menial workers remains much the same as the pre-Communist period after the War.

18. An important group in China's urban proletariat are the human transportation workers which include the waterfront stevedores, the pedicab, ricksha, and cart men. These are generally called the coolies of the city. The Communist liberation brought them widespread unemployment and little improvement in their earnings. The government is putting up a great deal of effort, sending out some of the best organizers, to organize this field, so as to detach it from its traditional tie with secret societies (now termed black societies) and to replace this with government leadership. In cities throughout the country (with the possible exception of Hankow), there is a strong drive against the boss system. Sufferers from these coolie bosses are encouraged to report the extortion and beatings and other ill treatment. When sufficient complaints are collected, the bosses are arrested and put on a public trial, sufferers go on the stage to tell their woes, and the bosses are sentenced to be shot. In Canton, a few spectacular mass meetings of this kind have been held, and a number of well known coolie bosses were shot. Newspapers report the same thing in other cities. The destruction of the coolie boss system is claimed by the government as one of its major accomplishments in overthrowing the feudal social order. How thoroughly this system is destroyed is not clear, but as one travels through the cities, the coolies are much safer to deal with. This is especially so in Shanghai where one could hardly trust a porter at the dock or the railway station before. In place of the boss system came the new organization under strict supervision of party organizers. The old membership fees, or rather protection money, for the former bosses have been eliminated, but meanwhile the service charges are also reduced from one-third to one-half of the pre-Communist days, so their net earnings have made little gain.
19. Pedicab and ricksha pullers have fared differently in different cities. In Peking and in some cases in Shanghai, while the real income stays much the same as the pre-Communist days, they made a notable gain because they bought vehicles, paying a small price to the owners who were eager to get out of the business in the chaotic days immediately following the liberation of the cities, or because of drastic reductions of vehicle rentals through either the pressure of the workers' union or regulation by the city government. But in cities in the south like Canton, this group have suffered a big drop in their earnings. Here, in the postwar years, pedicabs and rickshas enjoyed a booming business, and a pedicab puller earned HK\$200-400 a month on the average, frequently better than a high school teacher. At one time a man had to pay a bribe to officials and labor bosses to get into the business. But after the liberation, a pedicab coolie could earn only half as much due mainly to the reduction in business. It was estimated that, immediately before the Communists took over in Canton, almost 10,000 pedicabs vied for business in the city, now, only some 4,000 remain. If the Canton pedicab men were hard hit, those in Hankow were worse off, for the latter are earning only from 1/3 to 1/4 of what they did. Street cleaning, road building and some other public construction projects are undertaken mainly to cushion the shock of such depression among city laborers, according to the hints of a Party member.
20. Hard hit are the fields of speculation, real estate and luxury trade, while trading in necessities and import and export are holding their ground, or even making out quite well in some cases. But no business man is known to hold any long range optimism. The fact that they are still investing their money is due to the absence of an alternative. Business as a career is eliminated from the outlook of the younger generation under the present regime, whatever class background they may originate from.
21. Speculation trade, the biggest money maker in postwar China has been driven underground on a vastly reduced scale. This field includes such things as the stock market, gold and silver trading and hedging or hoarding of large variety of commodities whose market value fluctuate continuously. The stock market no longer exists as such. Gold and silver shops multiplied wildly in wartime and postwar Chinese cities, feeding on the instability of the currency. They are now completely closed down as an unproductive, wasting and predatory business, and owners of the business are frequently held as legitimate object of government extortion, such as buying bonds. In Canton, the Little

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Market Street, formerly a glittering thoroughfare of gold and silver, is almost completely boarded up. The same goes for the similar centers in other cities visited. But some underground trading in this field still goes on, though the volume is vastly reduced. Speculation in commodities, especially on a large scale, is made extremely difficult and rare by the imposition of the tax on commodities in stock and frequent rigid examination of inventories in stores. Real estate as a business field is almost non-existent, for the lack of buyers. Luxury trades, discriminated against by high taxes, include silk, good restaurants, general imported articles of clothing and other items, and a wide variety of other businesses that in the past have made the life of the Chinese middle class comfortable. Most well known restaurants in the cities up and down the coast either have closed down or changed their business to selling cheap food, catering to the common people. Most of the business men in these fields are drawing on their savings.

22. Still holding their own are trades in necessities such as staple food and cheaper grades of clothing. To obtain foreign currency, import and export of some fields are encouraged, sometimes even offered credit facilities. A friend in the export trade made quite a bit of money last year through government credit. But no business of this field can be carried on if it is in competition against some transactions sponsored by the government. Large industrial outfits are mostly upheld by the government even with grants of huge credits, and industrialists as a whole at the present are among those who can hold their own if their lines are daily necessities and if they do not fall into over-production.
23. In postwar pre-Communist Canton, there were about 35,000 business firms of all categories. By June, 1950, 8 months after the Communists took over, the total business firms remained very close to this number, only about 1,100 less. Many firms requesting permission to close down their business were refused by the government. If general statements by merchants can be trusted, one-half to two-thirds of the city's business firms were losing money in June 1950, and the rest only making expenses. Information from other cities shows a similar pattern.
24. As stated at the beginning, the destruction of the traditional social order, by undermining an important part of its economic foundation, namely the bringing down of the high income level of the scholars and the officials, an inseparable pair, has been going on steadily for half of a century; and the Communist regime, instead of introducing something entirely new in this respect is merely accelerating and legalizing the trend. The spread of education to the common man, a trend which the Communists also take up with vigor, further helps to blur the line of the traditional dichotomy of the Chinese society into the brain workers and the menial workers and to narrow down the social and economic gap between the two groups. The older group of scholars and officials whose mentality was deeply conditioned by the old order feel increasingly the pinch of the trend, and perhaps will never be able to make a thorough compromise with it. But the younger group, let us say, those who graduate from college in the recent ten years, have accepted this trend as the inevitable. Conscientious elements of the younger generation may still look to the scholastic and political field for status, but no longer for wealth as well. Seekers after wealth among the educated young have turned to business careers, after the removal of the traditional stigma against it by the impact of the Western culture recently.
25. But now, with the advent of the Communist power, business as a field is doomed. The older generation who have chosen scholastic, political and business fields with the traditional pattern in mind are mostly not plastic enough to reshape their life outlook to fit themselves into the Communist regime. They are hitched to the wagon of fate which may land them in positions varying from common laborers to clerical workers in public institutions. Those with specific technical knowledge or skill may fare better. But the younger elements of the middle and upper classes who are emerging from schools could look forward to only two fields, politics and technical science, for a career. In either field, he will be a public employee, with a kind of service motive and a pattern of remuneration entirely different from those known to his father's generation. And terrific pressure of propaganda is being brought to bear on the younger generation to accept this new outlook of life, however undefined and rapidly shifting it might be.

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